U.S. Congressman

Dave Obey

Working For a Better Dairy Safety Net

July 2003 Wisconsin's 7th District

Progress Report, Action Plan: How Are Wisconsin Dairy Farms Faring on Farm Bill's First Anniversary?

Farm Bill: Progress Report on Its First Birthday

May 13, 2003 was the one year anniversary of enactment of the 2002 Farm Bill, officially known as the Farm Security and Rural Investment Act. That legislation included a new dairy program, called the Milk Income Loss Contract (MILC) program.

Sadly, by any measurement, the 2002 Farm Bill and the MILC program have turned out to be a huge disappointment for Wisconsin dairy farmers.

In May 2002, there were 17,581 dairy farms in Wisconsin. As of May 1, 2003 there were 16,623 dairy farms, a decline of 5 percent.

In May 2002, the Class III price for milk used to make cheese was $10.82 per hundredweight. In April 2003 it was $9.41. In fact for the 12 months from May 2002 - April 2003, the average price for Class III milk has been $9.83 – 7 cents below the supposed price support floor of $9.90.

Clearly, the current dairy program is not working.

What Needs to Happen?

There are two initiatives that I am pursuing that aim to provide dairy farmers in Wisconsin and throughout the nation with better prices. These proposals require getting better control of domestic production and milk imports in order to better balance supply and demand.

Obey-Sanders Supply Management Plan Introduced

On May 6, Congressman Bernie Sanders of Vermont and I introduced legislation that would offer dairy farmers a better milk price safety net using supply management tools to help reduce overproduction.

The bill is similar to a proposal that won 194 votes when we offered it as an amendment to the Farm Bill during House floor debate last year. It will provide a target price of more than $17.00 for fluid milk and $13.25 for cheese milk. Importantly for farmers in the Upper Midwest, it will pool the benefits nationally to ensure that farmers in Wisconsin and Minnesota get paid the same as farmers in other regions. It will also authorize regional supply management districts to balance supply and demand through production controls and improve market prices.

The main problem with the current Milk Income Loss Contract (MILC) program, which provides monthly payments to farmers when domestic Class I fluid milk prices fall below $16.94 in Boston, is that it has no supply controls. The monthly payments are helping farmers pay a few bills, but they don't address the underlying problem of surplus milk production and, in fact, have worsened it, helping to depress market prices.

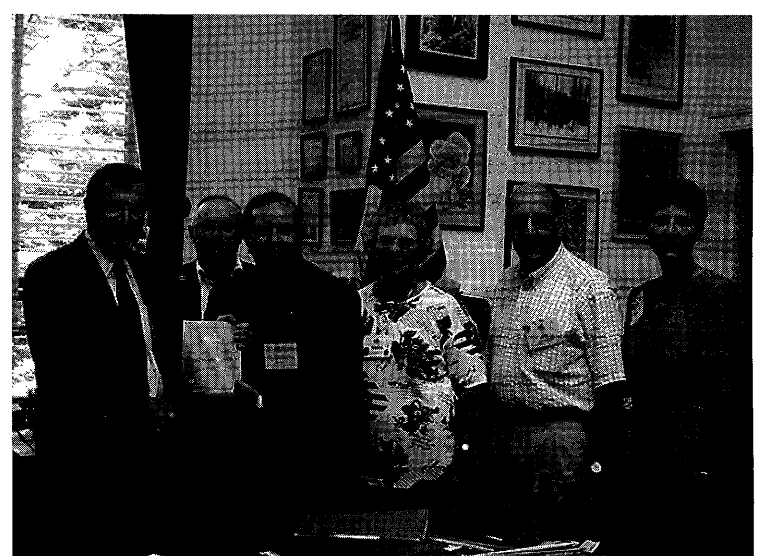
In an ideal world, lower farm prices would translate into lower prices at the store and consumers would buy more dairy products. For whatever reason, that has not happened.

The result of this is that the cost of the MILC program to taxpayers is ballooning and that is increasing the chances that the Administration and opponents of the program in Congress will try to pull the plug. An added problem is that the MILC program will expire in September 2005, well before the rest of the Farm Bill, with nothing to replace it.

What is needed is an enforceable supply management program to get a handle on the problem of chronically low prices. What does any business do when faced with a flooded market and depressed prices? What does the oil industry do? Or automobiles? They hold back the supply until the price recovers to a level where they can make a profit. What's good enough for oil ought to be good enough for milk.

We might have won the debate on the dairy program last year if just 15 members had reversed their votes. As such, we feel this is the appropriate place to begin the debate on the future of dairy policy. I am encouraged that others in the dairy industry are now talking seriously about supply management. We welcome them to the debate and encourage all dairy farmers to participate, because they are the ones whose way of life is at stake.

Continued on Back



I recently met with representatives of the Wisconsin's Farmers Union and was honored to receive an award for fighting to get a fairer deal for Wisconsin's family dairy farms.

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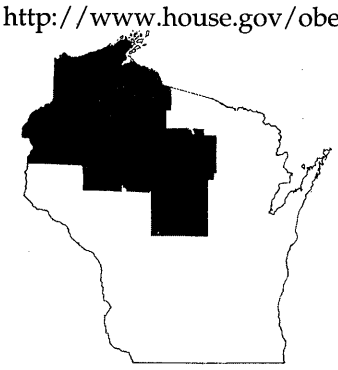

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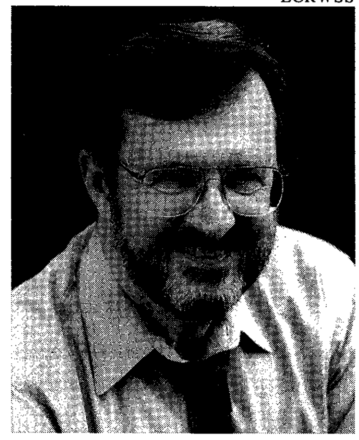

Meeting Barron Farmers, Residents at the Barron County Dairy Breakfast

In June, I enjoyed the chance to attend Barron County's annual Dairy Breakfast to meet area farmers and residents and discuss with them the challenges currently facing Barron County's family dairy farms.

Also joining this discussion was State Representative Mary Hubler of Rice Lake.

Milk Protein Concentrate and Dairy Imports

Imported dairy products are also having an impact on farm milk prices. When U.S. trade negotiators reached an agreement on GATT in 1994 they eliminated our Section 22 dairy import quotas and replaced them with a system of tariffs. Not only did that action roughly double the amount of dairy products coming into the country, but it also left a gaping loophole for Milk Protein Concentrate (MPC) -- big enough to drive a milk truck through -- which has been exploited by New Zealand, the Europeans, Australia, and Canada to displace domestic milk production with cheap milk protein imports.

That flood of imported MPC results in increased government purchases of surplus nonfat dry milk and, again, both dairy farmers and American taxpayers are taking a hit.

According to UW Dairy Economist Ed Jesse, MPC imports displaced about 427 million pounds of nonfat dry milk last year, causing additional purchases of surplus dairy products costing American taxpayers about $350 million.

I have introduced legislation with Congressman Don Sherwood of Pennsylvania that would close the MPC loophole. Our bill currently has the support of about 140 cosponsors.

What's Going to Happen in Dairy Policy in the 108th Congress?

Given the strong support for the Obey-Sherwood bill to close the Milk Protein Concentrate Import Loophole, I think we have a right to expect action from the Ways and Means Committee, which is the committee of jurisdiction. Unfortunately, there are two major obstacles to passage of the bill. The first is the well-funded Coalition for Nutritional Ingredients. This deep-pocketed organization of importers, foreign dairy companies, multinational corporations and anti-farm program advocacy groups is seeking to preserve the loophole. The second, is Chairman Bill Thomas (R-Calif.) Chairman of the Ways and Means Committee, who blocked the MPC bill from being passed as part of last year's major tariff bill.

These are formidable obstacles. It means I will be working with Congressman Sherwood and other supporters of the bill to continue our education program in Congress to win the support of enough supporters to overcome the opposition.

With respect to the Obey-Sanders supply management plan, frankly, it is very unlikely that there is going to be any movement towards enactment in the current Congress. That is why despite reservations about how effective the National Milk Producers' voluntary supply management effort will be, I welcome that effort nonetheless. What we hope to do during the current Congress, however, is to start a vigorous debate on the topic of supply management in the dairy industry that we hope will lead to action by the time the current MILC program expires in September 2005. ■